

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE

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TUOLUMNE COUNTY
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-088

FOR THE FISCAL PERIOD
JULY 1, 2005 THROUGH JUNE 30, 2008

TUOLUMNE COUNTY
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE

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AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Alicia Lauron, CPA

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER
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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Vicki Helmar
Agricultural Commissioner Sealer of Weights and Measures
Tuolumne County
2 South Green
Sonora, CA 95370

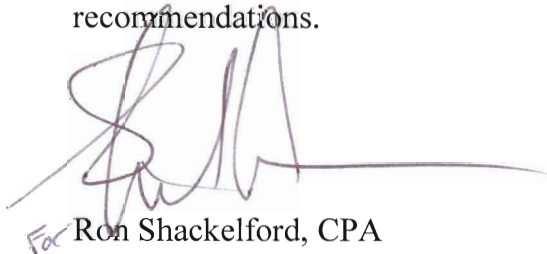
INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office perform a contract compliance audit of three contracts with Tuolumne County, County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 05-0485, 06-0527, and 07-0101 for the 2005/06, 2006/07 and 2007/08 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided four recommendations to improve the compliance of Tuolumne County. The County must respond in writing to these findings and recommendations.



For Ron Shackelford, CPA
Chief, Audit Office

February 11, 2009



CONCLUSION

We recommend the PDCP accept the charges that were billed to the program during fiscal years 2005/06, 2006/07, and 2007/08. On a going forward basis, the CAC should adjust its invoiced costs to agree with actual costs in accordance with the requirements of the contract and Title 2 Code of Federal Register Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225.) Additionally, we recommend the CAC maintain all supporting documents related to its billing invoices, review and improve current billing practices or risk the possibility of a portion of these costs not being reimbursed by the program.

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT**REPORTABLE CONDITIONS****PERMANENT EMPLOYEE STAFF BENEFITS PERCENTAGE**

The County's current method of billing the program for staff benefits does not comply with existing federal requirements. The County determined its staff benefit percentage rate by forecasting costs and used a flat budgeted rate of 32% of permanent employee salaries for 2005/2006, and 2006/2007 and a composite rate of 51.26% for 2007/2008 rather than actual costs. We recalculated the CAC's staff benefit percentage for the three fiscal years by using actual costs for the County Expenditure Summary by Fund & Budget Unit and noted a reasonable calculation of actual costs were 53.03% for 2005/2006, 56.29% for 2006/2007, and 54.89% for 2007/2008. The CAC did not adjust their invoiced costs to agree with actual in accordance with the requirements. The use of these rates caused the CAC to invoice the PDCP for less costs than the amount it actually incurred. Since the total annual expense for the services provided exceeded the contract amount in two of the three years, we recommend PDCP accept the charges billed. Additionally, on a going forward basis, the CAC should comply with 2 CFR 225 regarding billing rates.

2 CFR 225 states, "...Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates...are revised at least quarterly, if necessary, to reflect changed circumstances."

If the CAC uses a flat percentage rate for benefits, it should be based on some reasonable averaged basis. Two different methods that are commonly used for determining an acceptable rate are: (1) a simple average for the Agriculture Department on whole, and (2) a modified weighted average based on classifications billed to the Program. Both of these methods use prior year actual expenses in the percentage calculation.

Recommendation

- 1. The CAC should comply with 2 CFR 225 by ensuring the staff benefits rate billed to the program is properly supported by using actual costs up to amounts limited by the contract. This will mitigate the possibility of the State disallowing any costs claimed in the future.*

ACCOUNTING RECORDS AND RELATED SUPPORTING DOCUMENTATION

The CAC's method of supporting invoiced salary costs charged to Pest Detection is not compliant with the contract and existing federal requirements. 2 CFR 225 states, "where employees work on multiple activities of cost objectives a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h. (5) unless a statistical sampling system or other substitute system has been approved by the cognizant Federal Agency." The standards require the documentation (a) must reflect an after-the-fact distribution of the actual activity of each employee, (b) must account for the total activity for which each employee is compensated, (c) must be prepared at least monthly, (d) must be signed by the employee, and (e) estimates or other distribution methods do not qualify as support for charges. Employees work on multiple programs and record daily activities on their personal calendars or on the Outlook e-mail calendar. However, these hours are not allocated to each specific program on the calendars or on the employee's time sheet and therefore cannot be traced to daily trapping reports. The biweekly time sheet only reflects the employee's total number of hours worked on a particular day. As a result, there were hours invoiced to activities both exceeding and under the actual daily activity for some employees.

In addition, in our review of employee hourly rates, we found the CAC used the prior year hourly rates to invoice for the 2007/2008 fiscal year. The use of these rates caused the CAC to invoice the PDCP for less costs than the amount it actually incurred. Since the total annual expense for the services provided exceeded the contract amount in two of the three years, we recommend PDCP accept the charges billed.

Recommendations

2. *The CAC should follow the requirements of 2 CFR 225 for employees working on multiple activities by allocating all hours on each employee's timecard or equivalent record to the benefited program, and requiring the record be signed by the employee and approved by a supervisor. This will allow total hours to be traced back to the daily trapping summary and provide support for the hours billed on the invoice.*
3. *Hourly rates for each person should be verified prior to being invoiced. If each classification has different salary ranges, the employee and their respective actual rate should be listed individually on the monthly invoice. This will reduce the possibility of any over billings and subsequent reimbursements to the State.*

SUPPORTING DOCUMENTATION FOR CLAIMED EMPLOYEE MILEAGE

The County's supporting documentation for vehicle mileage claimed against the federal award should be improved in order for the County to be in full compliance with 2 CFR 225. Currently, employees reflect only the number of miles traveled in performing contracted services on timesheets. More detailed information, such as the locations visited, and/or beginning and ending trip odometer readings are not being recorded or attested to by the employee on the timesheets. Although the County requires employees to complete daily

activity reports specifying the related activity worked on, these reports also do not reflect the premises visited or specify the beginning or ending vehicle odometer readings. Therefore, we cannot determine whether the mileage claimed against all three contracts is fully appropriate.

Recommendation

4. *The County should improve its accounting over employee mileage costs invoiced for reimbursement by requiring employees to record the premises visited and the beginning or ending odometer readings on the daily activity reports. This will mitigate the possibility of the State disallowing claimed mileage.*

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE



County of Tuolumne

Agricultural Commissioner • Weights & Measures
Animal Control • Air Pollution Control

VICKI HELMAR

*Agricultural Commissioner
Director of Weights & Measures
Director of Animal Control
Air Pollution Control Officer*

April 8, 2009

**Agricultural Commissioner
Weights & Measures
Air Pollution Control**

Located at:
22365 S. Airport Rd.
Sonora, CA 95370
Phone: (209) 533-5691
Fax: (209) 533-5520
Email:
AgComm@co.tuolumne.ca.us

Animal Control

Located at:
10040 Victoria place
Jamestown, CA 95327
Phone: (209) 984-1338

All Mailing:

2 So. Green St.
Sonora, CA 95370

Mr. Ron Shackelford, Audit Chief
State of California
Department of Food and Agriculture Audit Office
1220 N Street, Room 344
Sacramento California

Dear Mr. Shackelford:

I have received Audit Report #08-0888 regarding your office's contract compliance audit of Tuolumne County's Pierce's Disease Control Program (PDCP) contracts 05-0485, 06-0527, and 07-0101 for the fiscal period July 1, 2005 through June 30, 2008. The report documents the three areas with reportable conditions and the four recommendations to improve compliance in those areas. Below are our responses to each of the findings/recommendations.

Permanent Employee Staff benefits Percentage

Finding: Title 2 CFR 225 states that budget estimates or distribution percentages determined before services are performed do not qualify as support for charges to Federal awards and that charges need to reflect actual costs. The County Agricultural Commissioner (CAC) determined its staff benefit percentage rate by forecasting costs and using a flat rate rather than actual costs for the three contract years. The CAC did not adjust their invoiced costs to agree with actual costs.

Recommendation 1: The CAC should comply with 2 CFR 225 by ensuring the staff benefits rate billed to the program is properly supported by using actual costs up to amounts limited by the contract.

Response: Beginning with the invoice for work performed for January 2009 for the 2008/2009 PDCP contract, the CAC has used a staff benefit rate based on the actual benefit costs for 2008/2009. The CAC will continue to calculate the actual benefit rates and adjust its invoiced costs to agree with the actual costs.

Accounting Records and Related Supporting Documentation

Findings: Title 2 CFR 225 requires, for employees working on multiple activities, personnel activity reports that reflect an after-the-fact distribution of the actual activity of each employee, account for the

total activity for which each employee is compensated and must be signed by the employee. The employees record daily activities but do not allocate hours to the specific activities and cannot trace hours to their daily trapping summary. The biweekly timesheet used by CAC does not allocate hours to specific programs, it only reflects the employee's total number of hours worked on a particular day. In addition the CAC used prior year hourly rates to invoice for the 2007/2008 fiscal year.

Recommendation 2: The CAC should follow the requirements of 2 CFR 225 for employees working on multiple activities by allocating all hours on each employee's timecard or equivalent record to the benefited program, and requiring the record be signed by the employee and approved by a supervisor.

Response: Beginning March 2009 the CAC is implementing a time reporting system that will allocate hours to specific programs. A part of this system, a daily itemized time report will be developed to document staff time spent in various programs. This daily report will be signed by the employee and approved by a supervisor.

Recommendation 3: Hourly rates for each person should be verified prior to being invoiced. If each classification has different salary ranges, the employee and their respective actual rate should be listed individually on the monthly invoice.

Response: Beginning with the invoice for work performed for January 2009 for the 2008/2009 PDCP contract, the CAC will verify the hourly rates for each employee prior to invoicing and will list the actual individual rates on the monthly invoice.

Supporting documentation for Claimed Employee Mileage

Finding: The County's supporting documentation for vehicle compliance claimed against the federal award needs to be improved in order to be in full compliance with 2CFR 225. Currently employees document only the total number of miles traveled in performing contracted services and do not record beginning and ending mileage or location visited on their daily activity report.

Recommendation 4: The County should improve its accounting over employee mileage costs invoiced for reimbursement by requiring employees to record the premises visited and the beginning and ending odometer readings on the daily activity reports.

Response: Beginning March 2009 the CAC is implementing a time reporting system that will also allow employees to record their beginning and

ending mileage for each specific program they work. In addition daily trapping summaries and documentation for locations inspected now include beginning and ending odometer readings

I wish to express my appreciation to Alicia Lauron for the manner in which the audit was conducted. She was thorough and aware of the time constraints placed on my staff by her needs. Her understanding, knowledge, and patience made the process easier.

Sincerely,

A handwritten signature in cursive script that reads "Vicki Helmar".

Vicki Helmar
Agricultural Commissioner/Sealer

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the County of Tuolumne County Agricultural Commissioner, Sonora, California, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between February 9, 2009 and February 11, 2009. My staff met with management on February 11, 2009 to discuss the findings and recommendations.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, once finalized, this report is a matter of public record and its distribution is not limited.

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office